

**EIGHTY-FIFTH GENERAL ASSEMBLY  
2013 REGULAR SESSION  
DAILY  
HOUSE CLIP SHEET**

APRIL 2, 2013

**HOUSE FILE 512**

**H-1231**

1 Amend the amendment, H-1228, to House File 512 as  
2 follows:  
3 1. Page 1, by striking line 1 and inserting:  
4 <Amend House File 512 as follows:  
5 \_\_\_\_\_. Page 1, before line 1 by inserting:  
6 <Section 1. Section 175.8, Code 2013, is amended by  
7 adding the following new subsections:  
8 NEW SUBSECTION. 2A. The authority shall request  
9 that a taxpayer or a beginning farmer who is a party to  
10 an agricultural assets transfer agreement as provided  
11 in section 175.37 participate in periodic surveys  
12 conducted by the authority or its designee to evaluate  
13 the effectiveness of the agricultural assets transfer  
14 tax credit.  
15 a. The information in the survey shall include  
16 but is not limited to whether the beginning farmer  
17 continues to be engaged in agricultural production,  
18 the current net worth of the beginning farmer, the  
19 number of acres owned, leased, or shared by each party,  
20 and the amounts and kinds of production engaged in by  
21 each party in the previous crop or calendar year, as  
22 applicable.  
23 b. Any information provided to the authority or  
24 designee by a party to an agreement under this section  
25 that discloses the identities of the parties to an  
26 agreement is a confidential record as provided in  
27 section 22.7, unless the parties provide the authority  
28 or a designee with a written consent to disclose such  
29 information.  
30 c. The authority shall compile the results of the  
31 information provided in this subsection in a survey  
32 of all parties to agreements. The survey may include  
33 case studies regarding specific benefits realized by  
34 the parties so long as they provide the authority or a  
35 designee with their written consent.  
36 NEW SUBSECTION. 2B. The authority shall prepare an  
37 analysis evaluating the state's return on investment  
38 of all loan and tax credit programs established under  
39 this chapter.  
40 NEW SUBSECTION. 2C. The authority shall submit  
41 the survey required in subsection 2A and the analysis  
42 required in subsection 2B to the general assembly as  
43 part of its annual report required in subsection 1 each  
44 odd numbered year.>>  
45 2. Page 1, after line 7 by inserting:  
46 <\_\_\_\_\_. Title page, by striking line 1 and inserting  
47 <An Act relating to agriculture, including by providing  
48 for reporting to the agricultural development  
49 authority, and the determination of animal units  
50 which>>

By ISENHART of Dubuque

HOUSE FILE 516

H-1236

1 Amend House File 516 as follows:

2 1. Page 1, line 28, by striking <four> and  
3 inserting <two>

4 2. Page 2, line 27, by striking <four> and  
5 inserting <four two>

6 3. Page 2, line 28, by striking <four> and  
7 inserting <two>

8 4. Page 3, after line 4 by inserting:

9 <Sec. \_\_\_\_\_. Section 357A.13, Code 2013, is amended  
10 to read as follows:

11 357A.13 Selling water.

12 1. If the capacity of the district's facilities  
13 permits, the district may sell water by contract to  
14 any city, other district, or other person, public or  
15 private, not within the boundaries of a district.

16 2. Notwithstanding any other provision of law to  
17 the contrary, a rural water district or rural water  
18 association may sell water by contract to an owner of  
19 real property located in a city or within two miles of  
20 a city who is not receiving water service as follows:

21 a. An owner of real property located in a city  
22 or within two miles of a city who is not receiving  
23 water service from a city, city utility, or joint  
24 water utility may seek to contract with a district or  
25 association to receive water service. The owner shall  
26 provide written notification to the city clerk of the  
27 city responsible for providing, or of a city that has  
28 adopted an ordinance reserving the right to provide,  
29 water service to the property that the owner is seeking  
30 to enter into a contract with a district or association  
31 to receive water service.

32 b. (1) After providing notification pursuant to  
33 paragraph "a", a property owner may receive offers  
34 for the provision of water service from a district,  
35 association, city, city utility, or joint water utility  
36 for the provision of water service.

37 (2) If the property owner wishes to accept an  
38 offer for the provision of water service pursuant to  
39 this subsection, the property owner shall provide  
40 written notification of the preferred offer to the  
41 city clerk of the city responsible for providing, or  
42 of a city that has adopted an ordinance reserving the  
43 right to provide, water service to the property and  
44 shall include in writing with the notice all terms and  
45 conditions of the preferred offer. This notice shall  
46 constitute an offer to the city to meet the terms and  
47 conditions of the preferred offer.

48 (3) The property owner may accept a preferred offer  
49 if, as provided in paragraph "c", the city responsible  
50 for providing, or of a city that has adopted an

H-1236

1 ordinance reserving the right to provide, water service  
2 waives its right to provide water service to the  
3 property.

4 c. Upon receiving notice provided pursuant to  
5 paragraph "b", a city may waive the right to provide  
6 water service to the property, may accept the offer  
7 from the property owner to provide service, or may  
8 reserve the right to substantially meet the terms and  
9 conditions of the preferred offer included with the  
10 notification. The city receiving notice pursuant to  
11 paragraph "b" waives the right to provide water service  
12 to the property if the city does not respond within  
13 ninety days following the receipt of such notice.>

14 5. Page 5, after line 5 by inserting:

15 <Sec. \_\_\_\_\_. Section 364.4, Code 2013, is amended by  
16 adding the following new subsection:

17 NEW SUBSECTION. 6. Notwithstanding any other  
18 provision of law to the contrary, a city may sell  
19 water by contract to an owner of real property if that  
20 property is not receiving water service and is located  
21 in a rural water district, an association's service  
22 area, in another city, or within two miles of another  
23 city as follows:

24 a. An owner of real property located in a district,  
25 an association's service area, a city, or within two  
26 miles of a city who is not receiving water service  
27 from a district, association, city, city utility, or  
28 joint water utility may seek to contract with a city  
29 to receive water service. The owner shall provide  
30 written notification to the board of directors of  
31 the district or association or the city clerk of the  
32 city responsible for providing, or a city that has  
33 adopted an ordinance pursuant to subsection 3 reserving  
34 the right to provide, water service to the property  
35 that the owner is seeking to enter into a contract  
36 to receive water service from another district,  
37 association, or city, as applicable.

38 b. (1) After providing notification pursuant to  
39 paragraph "a", a property owner may receive offers  
40 for the provision of water service from a district,  
41 association, city, city utility, or joint water utility  
42 for the provision of water service.

43 (2) If the property owner wishes to accept an  
44 offer for the provision of water service pursuant to  
45 this subsection, the property owner shall provide  
46 written notification to the board of directors of the  
47 district or association or the city clerk of the city  
48 responsible for providing, or a city that has adopted  
49 an ordinance pursuant to subsection 3 reserving the  
50 right to provide, water service to the property of the

H-1236

Page 3

1 preferred offer and shall include in writing with the  
2 notice all terms and conditions of the preferred offer.  
3 This notice shall constitute an offer to the district,  
4 association, or city, as applicable, to meet the terms  
5 and conditions of the preferred offer.

6 (3) The property owner may accept a preferred  
7 offer if, as provided in paragraph "c", the district,  
8 association, or city responsible for providing, or  
9 a city that has adopted an ordinance pursuant to  
10 subsection 3 reserving the right to provide water  
11 service waives its right to provide water service to  
12 the property.

13 c. Upon receiving notice provided pursuant to  
14 paragraph "b", the district, association, or city,  
15 as applicable, may waive the right to provide water  
16 service to the property, may accept the offer from the  
17 property owner to provide service, or may reserve the  
18 right to substantially meet the terms and conditions  
19 of the preferred offer included with the notification.  
20 The district, association, or city receiving notice  
21 pursuant to paragraph "b" waives the right to provide  
22 water service to the property if the district,  
23 association, or city does not respond within ninety  
24 days following the receipt of such notice.>

25 6. Title page, line 1, by striking <rural> and  
26 inserting <certain>

27 7. Title page, line 4, after <city> by inserting  
28 <and providing rights to certain owners of property not  
29 receiving water service>

30 8. By renumbering, redesignating, and correcting  
31 internal references as necessary.

By DEYOE of Story

H-1236 FILED APRIL 1, 2013

HOUSE FILE 566

H-1238

1 Amend House File 566 as follows:

2 1. Page 4, line 32, by striking <two> and inserting  
3 <five>

By BALTIMORE of Boone

H-1238 FILED APRIL 1, 2013

HOUSE FILE 607

H-1234

1 Amend the amendment, H-1227, to House File 607 as  
2 follows:

3 1. Page 1, after line 15 by inserting:

4 <Sec. \_\_\_\_\_. Section 175.8, Code 2013, is amended by  
5 adding the following new subsections:

6 NEW SUBSECTION. 2A. The authority shall request  
7 that a taxpayer or a beginning farmer who is a party to  
8 an agricultural assets transfer agreement as provided  
9 in section 175.37 participate in periodic surveys  
10 conducted by the authority or its designee to evaluate  
11 the effectiveness of the agricultural assets transfer  
12 tax credit.

13 a. The information in the survey shall include  
14 but is not limited to whether the beginning farmer  
15 continues to be engaged in agricultural production,  
16 the current net worth of the beginning farmer, the  
17 number of acres owned, leased, or shared by each party,  
18 and the amounts and kinds of production engaged in by  
19 each party in the previous crop or calendar year, as  
20 applicable.

21 b. Any information provided to the authority or  
22 designee by a party to an agreement under this section  
23 that discloses the identities of the parties to an  
24 agreement is a confidential record as provided in  
25 section 22.7, unless the parties provide the authority  
26 or a designee with a written consent to disclose such  
27 information.

28 c. The authority shall compile the results of the  
29 information provided in this subsection in a survey  
30 of all parties to agreements. The survey may include  
31 case studies regarding specific benefits realized by  
32 the parties so long as they provide the authority or a  
33 designee with their written consent.

34 NEW SUBSECTION. 2B. The authority shall prepare an  
35 analysis evaluating the state's return on investment  
36 of all loan and tax credit programs established under  
37 this chapter.

38 NEW SUBSECTION. 2C. The authority shall submit  
39 the survey required in subsection 2A and the analysis  
40 required in subsection 2B to the general assembly as  
41 part of its annual report required in subsection 1 each  
42 odd numbered year.>>

43 2. By renumbering as necessary.

**By** ISENHART of Dubuque

H-1234 FILED APRIL 1, 2013

HOUSE FILE 608

H-1232

1 Amend House File 608 as follows:

2 1. Page 1, after line 8 by inserting:

3 <Sec. \_\_\_\_\_. Section 910.1, Code 2013, is amended by  
4 adding the following new subsection:

5 NEW SUBSECTION. 1A. "Insurer" means an insurance  
6 company governed by the provisions of chapter 515,  
7 518, or 518A, or a bonding company authorized by the  
8 commissioner of insurance.>

9 2. Page 2, by striking lines 8 through 10 and  
10 inserting <such payments could recover against the offender in  
11 of such payments could recover against the offender in  
12 a civil action arising out of the same facts or events,  
13 subject to the priority of payment provisions in the  
14 restitution plan under section 910.2.>

15 3. Page 4, after line 12 by inserting:

16 <Sec. \_\_\_\_\_. NEW SECTION. 910.16 Civil judgment  
17 against offender for restitution to insurer.

18 1. If an offender has fulfilled all conditions of  
19 probation or parole, except for payment to an insurer  
20 under the plan of restitution, the court shall enter  
21 a civil judgment against the offender in favor of the  
22 insurer for any amount of restitution remaining unpaid  
23 to the insurer under the plan of restitution, prior to  
24 discharge from probation or parole. Upon entry of the  
25 civil judgment by the court in favor of the insurer,  
26 the portion of the restitution payable to the insurer  
27 shall be considered paid in full for purposes of the  
28 criminal case.

29 2. Upon the expiration of an offender's sentence,  
30 if an offender is not placed on probation or parole,  
31 the court shall enter a civil judgment against the  
32 offender in favor of the insurer in the same manner as  
33 subsection 1, for any amount of restitution remaining  
34 unpaid to the insurer under the plan of restitution.  
35 Upon the entry of the civil judgment, the portion  
36 of the restitution payable to the insurer shall be  
37 considered paid in full for purposes of the criminal  
38 case.>

39 4. Title page, by striking lines 1 and 2 and  
40 inserting <An Act relating to restitution to insurers  
41 in criminal cases.>

42 5. By renumbering as necessary.

COMMITTEE ON JUDICIARY

BALTIMORE of Boone, Chairperson

H-1232 FILED APRIL 1, 2013

**HOUSE FILE 614**

**H-1233**

1 Amend House File 614 as follows:

2 1. Page 10, line 27, after <percent> by inserting  
3 <, or up to 25 percent if a waiver is approved by the  
4 United States department of health and human services,>

**By** ROGERS of Black Hawk

**H-1233** FILED APRIL 1, 2013

**HOUSE FILE 614**

**H-1237**

1 Amend House File 614 as follows:

2 1. Page 3, by striking lines 3 through 11  
3 and inserting <mental health centers established  
4 in accordance with chapter 230A or applicable  
5 administrative rule. If a mental health services  
6 provider was designated as authorized in section  
7 230A.107, subsection 2, the provider remains eligible  
8 to receive funding distributed pursuant to this  
9 paragraph as a community mental health center. The  
10 funding distributed shall be used by recipients of the  
11 funding for the purpose of staff training or services  
12 to adults with a serious mental illness and children  
13 with a serious emotional disturbance. The distribution  
14 amounts shall be announced at the beginning of the  
15 federal fiscal year and distributed on a quarterly  
16 basis. Recipients shall submit quarterly reports>

17 2. Page 13, by striking lines 6 through 13 and  
18 inserting:

19 <e. For distribution to counties or regions through  
20 the mental health and disability regional services fund  
21 created in section 225C.7A for services to persons  
22 with mental illness or an intellectual disability in  
23 accordance with law:

24 (1) FFY 2013-2014

25 ..... \$ 6,357,391

26 (2) FFY 2014-2015

27 ..... \$ 7,480,233>

28 3. Page 15, line 1, by striking <45,039,023> and  
29 inserting <44,572,411>

30 4. Page 15, line 2, by striking <45,039,023> and  
31 inserting <44,522,628>

**By** ROGERS of Black Hawk

**H-1237** FILED APRIL 1, 2013



HOUSE FILE 615

H-1235

1 Amend House File 615 as follows:

2 1. Page 1, by striking lines 3 through 5 and  
3 inserting:

4 <NEW SUBSECTION. 3. The corporation may establish  
5 one or more innovation funds for purposes of  
6 stimulating early-stage and seed capital investment in  
7 the state. If a fund is>

8 2. Page 1, line 10, by striking <the> and inserting  
9 <an>

10 3. Page 1, line 12, after <process.> by inserting  
11 <The corporation may contract with a different entity  
12 for the provision of investment management services for  
13 each innovation fund.>

14 4. Page 2, by striking lines 16 through 19 and  
15 inserting:

16 <b. (1) The authority shall issue one or more  
17 certificates totaling the amount allowed per fiscal  
18 year under paragraph "a" to one or more nonprofit  
19 corporations operating an innovation fund.

20 (2) In order to receive a certificate pursuant  
21 to this paragraph, a nonprofit corporation shall be  
22 functioning as an innovation intermediary that is  
23 aligning local technologies, assets, and resources to  
24 collaborate on advancing innovation in this state, and  
25 shall be in compliance with the requirements of section  
26 15.107A, subsection 3.

27 (3) (a) If in a fiscal year multiple nonprofit  
28 corporations qualify to receive certificates issued  
29 pursuant to this paragraph, certificates shall be  
30 issued in such a way that each nonprofit corporation  
31 operating an innovation fund receives a pro rata share  
32 of the total tax credits equal to the same proportion  
33 that the outstanding certified binding investment  
34 commitments to that nonprofit corporation bears to  
35 the total outstanding certified binding investment  
36 commitments to all qualified nonprofit corporations  
37 being issued a certificate under this paragraph.

38 (b) Upon the request of the authority, a nonprofit  
39 corporation operating one or more innovation funds  
40 shall certify to the authority the outstanding amount  
41 of binding investment commitments it has received to  
42 invest in innovation funds it operates.>

43 5. Page 4, by striking line 15 and inserting:

44 <7- 8. a. ~~An~~ A nonprofit corporation establishing  
45 an innovation fund shall submit an application>

46 6. Page 4, line 16, by striking <shall> and  
47 inserting <shall may>

48 7. Page 4, line 19, by striking <a.> and inserting  
49 <a- (1)>

50 8. Page 4, line 22, by striking <b.> and inserting

H-1235



Page 2

1 ~~<b. (2)>~~

2 9. Page 4, line 24, by striking <c.> and inserting

3 ~~<c. (3)>~~

4 10. Page 4, by striking lines 26 and 27 and

5 inserting:

6 < (4) The fund proposes to function as an innovation  
7 intermediary by aligning local technologies, assets,  
8 and resources to collaborate on advancing innovation in  
9 this state.

10 (5) The fund proposes to provide multiple rounds  
11 of funding and early-stage private sector funding to  
12 innovative businesses with a high growth potential, and  
13 proposes to focus such funding on innovative businesses  
14 that show a clear potential to produce commercially  
15 viable products or services within a reasonable period  
16 of time.

17 (6) The fund proposes to operate in a manner  
18 designed to complement the purposes and further the  
19 policy goals of the demonstration fund and the state  
20 small business credit initiative demonstration fund  
21 administered by the authority pursuant to [261 IAC 105](#)  
22 and [261 IAC 117](#), respectively.

23 (7) The fund proposes to evaluate all  
24 prospective innovative businesses using a rigorous,  
25 technology-based approach and proposes to collaborate  
26 and coordinate with the authority and other state  
27 and local entities in an effort to achieve policy  
28 consistency.

29 (8) The fund proposes to collaborate with the  
30 regents institutions of this state and to leverage  
31 relationships with such institutions in order to  
32 commercialize research developed at those institutions.

33 (9) The fund proposes a detailed plan to support  
34 the continuum of innovation in this state by addressing  
35 the need for early-stage venture capital investments.

36 (10) The fund meets any other criteria adopted by  
37 the authority by rule.

38 b. The board shall certify funds in such a way that  
39 not more than three funds are certified as innovation  
40 funds at any one time. In determining whether to  
41 certify a fund the board shall consider the following:

42 (1) The total available pool of innovation fund  
43 investment tax credits.

44 (2) The size of the prospective fund as compared to  
45 other existing or prospective innovation funds.

46 (3) The impact that certification of the fund would  
47 have on the available pool of investment capital for  
48 other existing or prospective innovation funds.

49 (4) Whether certifying the fund as an innovation  
50 fund would further the economic goals of the state.>

H-1235

Page 3

1 11. By renumbering as necessary.

**By** LOFGREN of Muscatine

H-1235 FILED APRIL 1, 2013

HOUSE FILE 615

H-1239

1 Amend House File 615 as follows:

2 1. By striking page 2, line 33, through page  
3 3, line 2, and inserting <shall not have an equity  
4 interest in any business that has or will receive an  
5 investment of moneys from the innovation fund.>

**By** ISENHART of Dubuque

H-1239 FILED APRIL 1, 2013

## Fiscal Note

*Fiscal Services Division*



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**HF 615** – Innovation Fund Tax Credits (LSB 2327HZ)

Analyst: Jeff Robinson (Phone: (515) 281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))

Fiscal Note Version – New

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### **Description**

**House File 615** modifies the Innovation Fund Investment Tax Credit and also allows the Innovations Corporation to create an Innovations Fund to provide financial and management assistance for early-stage and seed capital investment entities.

This Bill requires annual allocations totaling \$8.0 million in tax credits by the Iowa Economic Development Authority (IEDA) to one or more nonprofit corporations operating an Innovations Fund.

This Bill also deletes a current requirement that a person receiving an Innovations Fund Tax Credit wait three tax years before redeeming the credit. This will make the tax credits redeemable soon after award. In addition, this Bill also increases the tax credit from the current 20.0% of the equity investment to 50.0% of the equity investment in an Innovations Fund and makes the tax credits transferable. The maximum annual tax credit total remains at \$8.0 million.

This Bill is effective on enactment and applies retroactively to tax year 2013 and to equity investments made on or after January 1, 2013.

### **Background**

The Innovation Fund was created in **SF 517** (Economic Development Appropriations Act of 2011). The Innovation Fund is one or more early-stage capital funds certified by the IEDA Board. The 20.0% tax credit for equity investments in the Innovation Fund was also created in SF 517.

The tax credit cannot be redeemed until the third tax year after the tax year in which the qualified investment was made. Under current law, the tax credits are not refundable or transferrable, but unused credits may be carried forward for up to five additional tax years.

The IEDA is required to allocate \$8.0 million of its annual \$120.0 million tax credit cap to the Innovation Fund beginning in FY 2012 (see **Iowa Code section 15.119**). The IEDA cannot allocate unused Innovation Fund credits to other programs that also exist under the \$120.0 million cap.

Taxpayers that invest in the Innovation Fund likely receive equity interest in the fund. Under the provisions of this Bill, they will also receive a state income tax credit equal to 50.0% of their investment and the credit may be redeemed immediately. At the current 20.0% tax credit rate, the Innovation Fund could generate \$40.0 million per year if the \$8.0 million tax credit was fully utilized. With the tax credit increased to 50.0%, the annual tax credit will net \$16.0 million in Innovation Fund investments each year.

### **Assumptions**

- Since inception of the tax credit there have been no Innovation Fund investments that qualify for this credit. It is assumed that the \$8.0 million in Innovation Fund tax credits allowed under current law for FY 2013 will not be issued. With the retroactive application of the changes to the tax credit, the increase to a 50.0% credit, removal of the three tax year waiting period, and the transferability provision, the \$8.0 million available for FY 2013 is assumed to be fully awarded. These tax credits are assumed to be redeemed in FY 2014.
- Under current law, the \$8.0 million annual tax credit allocation may or may not be used, depending on the demand for these tax credits under the conditions of current law. This fiscal estimate assumes the credits for FY 2014 and subsequent years will be fully utilized under both current law and with the changes contained in this Bill.
- Transferable tax credits are purchased by entities with significant state tax liability and are therefore redeemed within 12 months of award and at full value.

### **Fiscal Impact**

The changes to the Innovation Fund Tax Credit contained in this Bill will reduce taxes paid by taxpayers utilizing the tax credits. The estimated impact of the tax reduction on the State General Fund is provided in the following table.

<b>Net General Fund Impact of HF 585</b>			
In millions of dollars			
	Tax Credit Redemptions Under Current Law	Tax Credit Redemptions Under HF 615	Tax Credit Impact on General Fund Revenue
FY 2013	\$ 0.0	\$ 0.0	\$ 0.0
FY 2014	0.0	-8.0	-8.0
FY 2015	0.0	-8.0	-8.0
FY 2016	0.0	-8.0	-8.0
FY 2017	-2.7	-8.0	-5.3
FY 2018	-5.4	-8.0	-2.6
FY 2019	-8.0	-8.0	0.0

### **Source**

Legislative Services Agency Analysis

/s/ Holly M. Lyons

April 1, 2013

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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**HF 616** – Targeted Jobs Withholding Changes (LSB 2325HV)  
Analyst: Jeff Robinson (Phone: (515) 281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))  
Fiscal Note Version – New

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### **Description**

**House File 616** modifies the Targeted Jobs Withholding Tax Credit Pilot Project (Iowa Code section **403.19A**). Current law allows pilot cities to enter into withholding agreements with employers through June 30, 2013. The bill extends the agreement deadline five years to June 30, 2018.

Currently, only businesses located in or moving into urban renewal areas in pilot project cities are eligible for the pilot project benefits. The bill removes the requirement that the employer be located within an urban renewal area.

The changes apply to withholding agreements entered into on or after the effective date of the Bill.

### **Background**

The Targeted Jobs Withholding Tax Credit Pilot Project was created in **HF 2731** (Targeted Jobs Withholding Act of 2006) with an original final agreement date of June 30, 2010. This deadline was extended to June 30, 2013, in **SF 304** (Targeted Jobs Withholding Act of 2009).

The cities qualified for participation in the Targeted Jobs Withholding Tax Credit Pilot Project are Sioux City, Council Bluffs, Burlington, Fort Madison, and Keokuk.

The Target Jobs Withholding Tax credit is equal to 3.0% of the wages paid to employees in qualified jobs. Instead of remitting the credit amount to the state for deposit with other withholding tax, the employer remits the credit amount to the pilot city for deposit in a special fund for the Urban Renewal area where the targeted jobs are located. Employees whose income tax is redirected to the pilot project agreement instead of the State General Fund receive full credit for all tax withheld.

An agreement may divert withholding tax for a maximum of 10 years.

### **Assumptions**

1. Fiscal year 2013 withholding agreements (the last year allowed under current law) are projected to total \$14.7 million across the five pilot cities.
2. Using Moody's Analytics projections of U.S. Gross Domestic Product growth as a method of projecting growth in the economy of the pilot cities, program credit demand is projected to be \$15.6 million in FY 2014 and grow to \$19.0 million by FY 2018.
3. Based on the relative commercial and industrial (C/I) taxable value of pilot city Urban Renewal areas to their C/I total taxable value, expansion of the program to all areas of the five pilot cities will increase credit demand by 128.0%. This increases the projections in number 2 above to \$35.5 million in FY 2014, growing to \$43.4 million in FY 2018.

4. Based on past experience with the program, actual tax credits will equal 78.1% of tax credits awarded.
5. Credits will be claimed over a 10-year period. Due to start-up considerations, a smaller portion of the total claim will be utilized in the first two years of 10-year agreements.

### **Fiscal Impact**

Extending the pilot project five years and expanding it to businesses located outside of urban renewal areas will increase the diversion of withholding tax deposits from the State General Fund by \$154.7 million over 15 fiscal years, beginning in FY 2014 and extending through FY 2027.

<b>General Fund Revenue Reduction Due to Withholding Tax Diversion</b>					
In millions of dollars, total = \$ -154.7 million					
FY 2014	\$	-1.0	FY 2021	\$	-17.3
FY 2015		-3.1	FY 2022		-17.3
FY 2016		-6.4	FY 2023		-17.2
FY 2017		-9.8	FY 2024		-14.1
FY 2018		-13.5	FY 2025		-10.8
FY 2019		-16.0	FY 2026		-7.3
FY 2020		-17.3	FY 2027		-3.6

### **Source**

Iowa Department of Revenue

/s/ Holly M. Lyons

April 1, 2013

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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